

**PROPERTY TAX
Various Housing Provisions**

March 16, 2023

Property Taxes and Local Aids Only -- Sections 6-9

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 743 (Norris), 1st Engrossment as proposed to be amended by H0743A3

Fund Impact

	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
	(000's)			
Property Tax Refund Interaction	\$0	(unknown)	(unknown)	(unknown)
Income Tax Interaction	\$0	(unknown)	(unknown)	(unknown)
General Fund Total	\$0	(unknown)	(unknown)	(unknown)

EXPLANATION OF THE BILL

Sections 6-8 Housing and Redevelopment Authorities

Effective beginning July 1, 2023.

The proposal defines a workforce housing project as any work or undertaking in an eligible area to develop market rate residential rental properties or single-family housing. Workforce housing projects are also added to the definition of a project for housing and redevelopment authorities.

The proposal also increases the levy limit for housing and redevelopment authorities. Under current law, housing and redevelopment authorities operating as special taxing districts have a levy limit of 0.0185 percent of the estimated market value of the district. The proposal would increase the levy limit to 0.037 percent of estimated market value.

Section 9 Housing Tax Increment Financing (TIF) Districts

Effective the day following final enactment.

The proposal would add transfers of increment to a housing trust fund as eligible use of increment for housing TIF districts. Expenditures of these transfers would not be subject to annual reporting requirements for TIF districts.

The proposal would also increase the percentage of increment which all types of TIF districts may expend on authorized housing expenditures from 10 to 15 percent. Transfers of increment to a housing trust fund would be added as an authorized housing expenditure under this proposed increase.

REVENUE ANALYSIS DETAIL

- There are about 100 housing and redevelopment authority special taxing districts statewide. It is assumed that some of these housing and redevelopment authorities would increase their levies due to the proposed increase in the levy limit. The number of authorities that would increase their levy and the amount of levy increases is unknown.

- Higher levies would result in higher homeowner property tax refunds, increasing costs to the state general fund by an unknown amount beginning in fiscal year 2025.
- Higher levies would result in higher income tax deductions, decreasing revenues to the state general fund by an unknown amount beginning in fiscal year 2025.
- The proposed changes to the general TIF provisions would have no impact on the state general fund.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral
<i>Efficiency & Compliance</i>	Neutral
<i>Equity (Vertical & Horizontal)</i>	Neutral
<i>Stability & Predictability</i>	Neutral
<i>Competitiveness for Businesses</i>	Neutral
<i>Responsiveness to Economic Conditions</i>	Neutral

The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
 Property Tax Division – Research Unit
<https://www.revenue.state.mn.us/revenue-analyses>

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